



June 20, 2003

MEMORANDUM

TO: M/OP, Timothy T. Beans

FROM: AIG/A, Bruce N. Crandlemire /s/

SUBJECT: USAID's Compliance with Federal Regulations in  
Awarding the Iraq Personnel Support Services  
Contract  
(AIG/A Memorandum 03-002)

SUMMARY

The Office of Inspector General (OIG) has completed a review to determine compliance with federal regulations in awarding the contract for personnel support services for Iraq. We determined that USAID complied with the applicable federal regulations for awarding a sole source contract to International Resources Group (IRG).

BACKGROUND

USAID is in the process of awarding 10 or more contracts for Iraq reconstruction activities. As of the date of this memorandum, USAID has awarded seven contracts estimated to cost a total of \$985 million for personnel support, seaport administration, local governance, education, capital construction, health, and airport administration. In addition to these seven contracts, USAID has also awarded grants, cooperative agreements, and interagency agreements. Accordingly, we are auditing the contracting process for each of the Iraq reconstruction contracts. Although this is not an audit report, the memorandum is the second issued as part of this effort.

On January 16, 2003, the Office of the USAID Administrator authorized expedited acquisition and assistance procedures for activities and programs in

response to the crisis in the Near East. This authority allowed USAID to award these contracts using other than full and open competition requirements in accordance with 40 USC 474. This statutory authority requires the awarded contracts to be supported by written justifications and approvals as described in the Federal Acquisition Regulations (FAR). This statutory authority also requires that agencies shall request offers from as many potential sources as is practicable under the circumstances.

USAID exercised this authority on January 24, 2003, and issued a Request for Proposal (RFP) to IRG to submit a proposal to provide experienced personnel for the implementation of emergency relief and short-term rehabilitation projects in Iraq. IRG was given until January 27, 2003, to respond to the RFP. On February 7, 2003, USAID awarded IRG a three-month cost-plus-fixed-fee, level of effort term contract for \$7.1 million. The contract includes two option years with estimated costs of \$9.8 million and \$10.2 million for option years 1 and 2 respectively. The total contract cost including the base period and the option years is \$27.1 million. On April 30, 2003, USAID exercised the first option and extended the term of the contract from May 5, 2003, through May 4, 2004, thereby increasing the total estimated contract cost plus fee to \$16.9 million.

USAID awarded this contract under expedited acquisition and assistance procedures in order to meet urgent Iraq requirements. According to the Office of Procurement's fiscal year 2003 annual procurement planning guidance, the procurement time to award a sole source contract, on average, requires about six months once an acceptable statement of work or program description is received. In contrast, the Office of Procurement awarded the Iraq personnel support contract in about two weeks.

#### REVIEW RESULTS

The OIG determined that USAID complied with the applicable federal regulations for awarding a sole source contract to IRG. We reviewed documentation and interviewed USAID representatives to determine the events that took place and decisions made supporting: 1) the authorizing authority for using other than full and open competition, 2) the contracting officer's determination of contractor

ability to perform the work under the contract, and 3) the pre-solicitation process.

USAID adequately supported and documented the events that led to the use of other than full and open competition to award the personnel support services contract in accordance with FAR Part 6 requirements.

USAID conducted the necessary procedures to determine the contractor's ability to perform under the contract in accordance with FAR Part 9 requirements. The contract file supports the Office of Procurement's review of IRG's financial capability, accounting and management controls, and past performance, to make a determination that IRG was qualified and eligible to receive an award under applicable laws and regulations.

USAID conducted the necessary procedures during the pre-solicitation process in accordance with FAR Part 15 requirements. USAID issued a request for proposal communicating the Government's requirements and expected results. USAID took appropriate measures within the limited time available to identify the potential source for the contract.

We are continuing to review the Iraq contracts as they are awarded. We appreciate the courtesies extended to the OIG staff on this review.

cc: AA/ANE, W. Chamberlin  
AA/LPA, E. Fox  
AA/M, J. Marshall  
GC, J. Gardner